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July 18, 2005

BY OVERNIGHT DELIVERY AND E-FILE

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-27

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find Bay State's responses to the following Record Requests:

From the Attorney General:

RR-AG-34

From the Department:

RR-DTE-39

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: Per Ground Rules Memorandum issued June 13, 2005:

Paul E. Osborne, Assistant Director – Rates and Rev. Requirements Div. (1 copy)
A. John Sullivan, Rates and Rev. Requirements Div. (4 copies)
Andreas Thanos, Assistant Director, Gas Division (1 copy)
Alexander Cochis, Assistant Attorney General (4 copies)
Service List (1 electronic copy)

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE ATTORNEY GENERAL
D.T.E. 05-27

Date: July 18, 2005

Responsible: Stephen H. Bryant, President

RR-AG-34: Provide the names of the directors and officers of NiSource, Inc., Bay State Gas and the service company, NCSC who own IBM stock as of the date of the Agreement.

Response: The Company does not have information regarding ownership of stock by its directors or officers. Attachment RR-AG-34 is a copy of the NiSource Policy regarding Conflicts of Interest. This Policy states, "a conflict of interest may exist for employees if they or their family members have a personal financial interest in any entity that does business with the Company". The Policy further states, "Employees have a duty to disclose and resolve any potential conflicts of interest that the employee may have as soon as they become aware of them". Failure to adhere to this Policy could result in termination of employment.



POLICY SUBJECT: Conflicts of Interest
EFFECTIVE DATE: November 2001
REVISED: May 1, 2003

NiSource and its subsidiaries (the "Company") expect complete honesty, loyalty, objectivity and unbiased judgment on the part of employees in the performance of their duties. These high standards cannot be met where personal gain or benefit, financial or otherwise, could be a factor in any Company transaction. Even the most well-meaning individual may be influenced -- or appear to others to be influenced -- if the personal interest of the individual may be affected or altered by business transactions made by that individual on the Company's behalf. To maintain independence of action and judgment, it is necessary to avoid conflicts of interest or the appearance of conflicts of interest.

Financial Conflicts of Interest

For the purpose of this Policy, a conflict of interest may exist for employees if they or their family members have a personal financial interest in any entity that does business with the Company. For the purpose of this Policy, a family member is a spouse, parent, child, or any relative or in-law of the employee or of the employee's spouse, by blood or adoption, not more remote than first cousin and anyone who regularly resides with the employee. A personal financial interest includes:

- owning or controlling more than one percent of a corporation's outstanding equity securities or a similar financial interest in an entity which is not a corporation; and
- being a consultant to or an employee, partner, officer or director of an enterprise that does business with the Company.

Employees may not participate in making or attempt to influence, decisions relating to transactions between the Company and an entity in which the employee or a family member has a personal financial interest.

This Policy is not intended to prohibit ownership by employees and their family members of shares or other securities in companies that are widely held by numerous other investors and traded regularly in recognized security markets unless such ownership might tend to influence any decision that the employee might make with respect to the Company. Additionally, this Policy is not intended to prevent an employee from serving

on a board or as a member of an organization, if such service or membership is not contrary to the best interests of the Company.

Non-Financial Conflicts of Interest

Non-financial conflicts of interest include circumstances that cause an employee to place his or her own personal interest above the interest of the Company. Therefore, employees:

- may not participate in non-Company activities if doing so could interfere with the Company's best interests or the effectiveness of job performance;
- may not serve as a consultant to or an employee, officer or director of any other organization, with or without compensation, if doing so could interfere with the work being performed for the Company or where the other organization is in direct competition with or has other interests in conflict with the Company;
- may not be employed during normal working hours in any business activity or service except the Company's.

Duty to Resolve

Employees have a duty to disclose and resolve any potential conflicts of interest that the employee may have as soon as they become aware of them.

- **Hourly Personnel:**
Hourly personnel must submit any potential conflicts of interest to the local business ethics advisor. Ethics advisors will determine whether a conflict exists, provide a written response directly to the employee, and, when a conflict of interest exists, recommend a resolution. The Ethics Officer will maintain a file of these submissions and responses.
- **Salaried Personnel:**
Salaried personnel must submit any potential conflicts of interest to the Ethics Officer, who will determine whether a conflict exists. When potentially significant, the Ethics Officer will present the information to the Business Ethics Committee (as defined in the Administration of the Business Ethics Program), which will determine whether a conflict exists. A written response will be provided to the employee which, when a conflict of interest exists, will include a recommended resolution. The Ethics Officer will maintain a file of these submissions and responses along with minutes of the committee meetings.
- **Officers:**
Officers of NiSource or its majority owned subsidiaries must present any potential conflicts of interest to the Business Ethics Committee which will determine whether a conflict of interest exists. A written response will be presented to the

Officer, which, when a conflict exists, will include a recommended resolution. The Ethics Officer will maintain a file of these recommendations and responses.

Resolutions

Where an inappropriate interest, relationship or transaction is found, the employee involved will be advised and a recommended resolution will be provided, which may include:

- Direction not to accept a position, join an organization or make an investment
- Divestiture of the employee's interest or termination of the relationship
- Termination of any Company business relationship with the outside interest
- Realignment of job functions or reassignment of the employee
- Suspension or termination of the employee, if appropriate

Failure to Respond

Failure to respond to requests for information by the Company, the submission of inaccurate responses, concealment of requested information, failure to terminate any activity that the Company believes interferes with the employee's performance of his or her Company obligations or conflicts with the Company's interest, or failure to accept or comply with a recommended resolution of a conflict or potential conflict may result in the termination of the employee's employment with the Company.

Annual Surveys

The Vice President, Audit will conduct, at least annually, a survey of officers and selected employees regarding relationships with vendors of products and services to the Company, or purchasers of equipment or material from the Company, all outside employment and other matters as may be determined by the Vice President, Audit and Ethics Officer.

The purpose of the survey is to disclose any direct or indirect interest or a position held in any entity that might present a conflict of interest, financial or otherwise, with respect to the Company.

Reports

The Vice President, Audit will review the results of the Conflicts of Interest survey with the legal department, external auditors, Ethics Officer, the Business Ethics Committee and the Audit Committee of the Board of Directors. The Ethics Officer will provide periodic reports concerning compliance with this Policy to the Business Ethics Committee and Audit Committee.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO
RECORD REQUESTS FROM THE D.T.E.
D.T.E. 05-27

Date: July 18, 2005

Responsible: Stephen H. Bryant, President

RR-DTE-39: Re: Ex. BSG/JES-1, Sch. JES-17, p. 1 of 12 (13.05% pre tax return).
Look at alternatives to this pre-tax return and determine what value for an incremental return would be acceptable to the Company; comment on the proposed use of incremental capital costs for the SIR Base Rate Adjustment.

Response: As the Company discussed in its response to DTE-18-26 regarding the appropriate rate of return to be applied from the time the facilities are placed in operational service until the facilities are incorporated in rates through the annual SIR Base Rate Adjustment, the same approach could be used for capital investments once the investments are approved in the SIR Base Rate Adjustment mechanism. In fact, it is logical to utilize the same approach for both periods, as the underlying financing is the same, that is, a mix of incremental long-term debt and equity.